

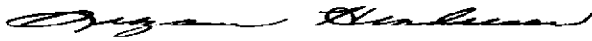
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CHESAPEAKE ENERGY CORP.
ATTN: RECORDING TEAM
P.O. Box 18496
Oklahoma City, OK 73154

Submitter: Chesapeake Operating, Inc.

SUZANNE HENDERSON
TARRANT COUNTY CLERK
TARRANT COUNTY COURTHOUSE
100 WEST WEATHERFORD
FORT WORTH, TX 76196-0401

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ANY PROVISION WHICH RESTRICTS THE SALE, RENTAL OR USE
OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR
RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

OIL, GAS AND MINERAL LEASE*Electronically Recorded
Chesapeake Operating, Inc.*

THE STATE OF TEXAS

*

*

10239542

COUNTY OF TARRANT

*

This Agreement made and entered into as of the date herein specified by and between **TARRANT REGIONAL WATER DISTRICT, a WATER CONTROL and IMPROVEMENT DISTRICT**, a body corporate and politic whose address is 800 East North Side Dr., Fort Worth, Texas 76102 (hereinafter referred to as "Lessor"), and, Chesapeake Exploration, L.L.C., and whose address in P.O. Box 18496, Oklahoma City, OK 73118 (hereinafter referred to as "Lessee"):

WITNESSETH**1. GRANTING CLAUSE**

Lessor, in consideration of Ten Dollars (\$10.00) in hand paid, of the royalties herein provided and of the covenants of Lessee herein contained, hereby Grants, Leases and Lets exclusively unto Lessee for the sole and only purpose of investigating, exploring, prospecting, drilling, operating for, and producing oil, gas and all other liquid or gaseous minerals including sulfur produced as a component of oil and gas through the bore hole of an oil and gas well and laying the lines and erecting the tanks necessary to produce, save and transport products produced therefrom, the land in Tarrant County, Texas, described in Exhibit "A" attached hereto (the "Leased Premises").

All mineral rights other than oil, gas and all other liquid or gaseous minerals are expressly reserved to Lessor. These reserved mineral rights include the rights to lignite, coal and sulfur not produced as a component of oil and gas.

For the purpose of determining the amount of any bonus or other payment hereunder, said Leased Premises shall be deemed to contain **1.25** acres, whether actually containing more or less.

2. PRIMARY TERM

Subject to the other provisions herein contained, this lease shall be for a term of **three (3) years** from the date of the notarial acknowledgment of Lessor's execution of this instrument (hereinafter called "primary term") and so long thereafter as oil, gas or other minerals granted herein are produced from the Leased Premises or lands pooled therewith, in paying quantities, or drilling operations are in progress thereon as hereinafter provided, and the royalties are paid as provided herein.

3. DELAY RENTALS

Notwithstanding other provisions contained herein, no delay rentals are due under this lease.

4. POOLING

Lessee is hereby given the right to pool or combine the acreage covered by this Lease as to oil and gas, or either of them with any other land, lease or leases in the immediate vicinity thereof to the extent hereinafter stipulated, when it is necessary or advisable to do so in order to properly explore, or develop, produce and operate said leased premises in compliance with the spacing rules of the appropriate lawful authority, or when to do so would promote the conservation of oil and gas in and under and that may be produced from said premises.

In the absence of field rules, units pooled for oil and gas hereunder shall not exceed the acreage provided for retained acreage tracts in Section 6. Lessee, under the provisions hereof, may pool or combine the acreage covered by this Lease as above provided as to oil in any one or more strata and as to gas in any one or more strata. The units formed by pooling as to any stratum or strata need not conform in size or area with the unit or units into which the Lease is pooled or combined as to any other stratum or strata, and oil units need not conform as to area with gas units. The pooling in one or more instances shall not exhaust the rights of the Lessee hereunder to pool this Lease or portions thereof into other units. Lessee shall file for record in the appropriate records of the county in which the leased premises are situated an instrument describing the pooled acreage as a pooled unit; and thereafter the pooled unit may not be altered in size or configuration without Lessor's written consent. In this regard, Lessee shall provide Lessor with a copy of any and all documents filed with any regulatory authority or recorded in the records of any county within thirty (30) days of filing such documents. Upon the recordation of the unit in the county records and the timely furnishing of the copies required herein to Lessor the unit shall be effective as to all parties hereto, their heirs, successors, and assigns, irrespective of whether or not the unit is likewise effective as to all other owners of surface, mineral, royalty or other rights in land included in such unit. Lessee may at its election exercise its pooling option before or after commencing operations for or completing an oil or gas well on the leased premises, and the pooled unit may include, but it is not required to include, land or leases upon which a well capable of producing oil or gas in paying quantities has theretofore been completed or upon which operations for the drilling of a well for oil or gas have theretofore been commenced. In the event of operations for drilling on or production of oil or gas from any part of a pooled unit which includes all of the land covered by this Lease, such operations shall be considered as operations for drilling on or production of oil and gas from land covered by this Lease whether or not the well or wells be located on the premises covered by this Lease and in such event operations for drilling shall be deemed to have been commenced on said land within the meaning of this Lease. For the purpose of computing the royalties to which owners of royalties and payments out of production and each of them shall be entitled on production of oil and gas, or either of them, there shall be allocated to the land covered by this Lease and included in said unit (or to each separate tract within the unit if this Lease covers separate tracts within the unit) a pro rata portion of the oil and gas, or either of them, produced from the pooled unit. Royalties hereunder shall be computed on the portion of such production, whether it be on oil and gas, or either of them, so allocated to the land covered by this Lease and included in the unit just as though such production were from such land. The production from an oil well will be considered as production from this Lease or oil pooled unit from which it is producing and not as production from a gas pooled unit; and production from a gas well will be considered as production from this Lease or gas pooled unit from which it is producing and not from an oil pooled unit. The formation of any unit hereunder shall not have the effect of changing the ownership of any delay rental or shut-in production royalty which may become payable under this Lease. If this Lease now or hereafter covers separate tracts, no pooling or unitization of royalty interest as between any such separate tracts is intended or shall be implied or result merely from the inclusion of such separate tracts within this Lease but Lessee shall nevertheless have the right to pool as provided above with consequent allocation of production as provided above. As used in this paragraph, the

words "separate tract" mean any tract with royalty ownership differing, now or hereafter, either as to parties or amounts, from that as to any other part of the leased premises. Notwithstanding anything to the contrary contained herein, no unit may be formed that is comprised of less than 100% of the leased premises and any pooled unit formed for the production of gas from the Barnett Shale Formation shall not exceed 380 acres in size.

5. CONTINUOUS DRILLING OF WELLS

If at the expiration of the primary term, Lessee is then engaged in drilling operations or shall have completed a dry hole or a producing well on the Leased Premises within ninety (90) days prior to the end of the primary term, the lease shall remain in force so long as Lessee conducts a continuous drilling program in which the drilling of additional wells is prosecuted with no more than ninety (90) days between the abandonment of a well as a dry hole or the completion of such well as a commercial producer and the commencement of actual drilling operations for an additional well. At such time as said continuous drilling program ceases, the provisions of Paragraph 6 will be applicable.

6. RETAINED ACREAGE

A. Vertical Wells

At the expiration of the primary term of this lease or upon the termination of the continuous drilling program set forth in Paragraph 5, each well drilled hereon capable of producing in paying quantities will hold only forty (40) acres for any formation from the surface to the base of the Barnett Shale formation. As to depths below the base of the Barnett Shale Formation, the proration unit shall be the minimum size necessary to obtain the maximum production allowable. If the proration unit for a well completed below the base of the Barnett Shale Formation is larger than 40 acres, the well may maintain the Lease as to formations above the base of the Barnett Shale Formation as to not more than 40 acres. All other acreage except that included in a proration unit or pooled unit will be released (Partial Termination). To the extent possible each such proration unit will be in the shape of a square, with the well in the center. Further, it is understood and agreed that Lessee shall earn depths as to each proration unit or pooled unit only from the surface down a depth which is the stratigraphic equivalent to a depth of one hundred feet (100') below the deepest producing formation in such well which is capable of producing oil and gas in paying quantities at the expiration of the primary term of this lease or upon the termination of the continuous drilling program set forth in Paragraph 5. This lease will terminate at such time as to all depths below such depths as to each respective proration unit or pooled unit. If production should thereafter cease as to acreage included in a proration unit or pooled unit, this lease will terminate as to such acreage unless Lessee commences reworking or additional drilling operations on such acreage within ninety (90) days thereafter and continues such reworking or additional drilling operations until commercial production is restored thereon, provided that if more than ninety (90) days elapse between the abandonment of such well as a dry hole and the commencement of actual drilling operations for an additional well, or more than ninety (90) days pass since the commencement of reworking operations without the restoration of commercial production, this lease shall terminate as to the applicable proration unit or pooled unit.

At any time or times that this Lease terminates as to all or any portion of the acreage of the Leased Premises, Lessee shall promptly execute and record in the office of the County Clerk in the County where the Leased Premises are located, a proper release of such terminated acreage and shall furnish executed counterparts of each such release to Lessor at the address shown in Paragraph 19 hereof.

B. Horizontal Wells

It is expressly understood and agreed that, subject to the other terms, provisions and limitations contained in this Lease, Lessee shall have the right to drill "horizontal wells" on the Leased Premises, or lands pooled therewith. The term "horizontal well" or "horizontally drilled well" shall mean any well that is drilled with one or more horizontal drainholes having a horizontal drainhole displacement of at least five hundred eighty-five (585) feet. For the purposes of further defining the term "horizontal wells" and "horizontally drilled" reference is made to the definitions contained within Statewide Rule 86, as promulgated by the Railroad Commission of Texas, which definitions are incorporated herein for all purposes.

In the event of any Partial Termination as herein defined, then, with regard to a well which is a horizontal well or a horizontally drilled well, Lessee shall be entitled to retain all sands and horizons at all depths from the surface down to a depth which is the stratigraphic equivalent of a depth of one hundred (100) feet below the base of the deepest producing formation in such well which is capable of producing oil and gas in paying quantities, but only in a spacing unit the area or number of acres of which are equal to the area or number of acres determined by adding twenty (20) acres for each five hundred eighty-five (585) feet horizontally drilled to the original forty (40) acres deemed to be a proration unit for each vertical well. Each such tract around each horizontally drilled well shall be as nearly in the shape of a proration unit for a horizontal well that may conform to Statewide Rule 86.

If production should thereafter cease as to acreage included in a proration unit or pooled unit, this Lease will terminate as to such acreage unless Lessee commences reworking or additional drilling operations on such acreage within ninety (90) days thereafter and continues such reworking or additional drilling operations until commercial production is restored thereon, provided that if more than ninety (90) days pass between the abandonment of such well and the commencement of actual drilling operations for an additional well, or more than ninety (90) days pass since the commencement of reworking operations without the restoration of commercial production, the Lease shall terminate as to the applicable proration unit or pooled unit.

At any time or times that this Lease terminates as to all or any portion of the acreage of the Leased Premises, Lessee shall promptly execute and record in the office of the County Clerk in the County where the Leased Premises are located, a proper release of such terminated acreage and shall furnish executed counterparts of each such release to Lessor at the address shown in Paragraph 19 hereof.

7. OFFSET OBLIGATIONS

In the event a well or wells producing oil or gas should be brought in on land within 467 feet from any boundary of the Leased Premises, Lessee agrees within ninety (90) days from commencement of production from such well or wells to commence the actual drilling of an offset well or wells on lands pooled with the Leased Premises; provided that the well or wells which are to be offset are producing in paying quantities; or Lessee shall release the Leased Premises to Lessor.

8. FORCE MAJEURE

A. The term "force majeure" as used herein shall mean and include: requisition, order, regulation, or control by governmental authority or commission; exercise of rights or priority or control by governmental

authority for national defense or war purpose resulting in delay in obtaining or inability to obtain either material or equipment normally necessary in prospecting or drilling for oil, gas or other mineral granted herein, or in producing, handling or transporting same from the Leased Premises; war, scarcity of or delay in obtaining materials or equipment; delays in obtaining permits; lack of labor or means of transportation of labor or materials; acts of God; insurrection; flood; strike; or other things beyond the control of Lessee. Failure or inability of Lessee to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production (for causes other than mechanical or equipment failure or acts of God) is not "force majeure."

B. Notwithstanding any other provisions of this Lease, but subject to the conditions hereinafter set forth in this Paragraph 8, should Lessee be prevented by "force majeure" as defined above, from conducting drilling or reworking operations on, or producing oil, gas or other mineral from, the Leased Premises, such failure shall not constitute a ground for the termination of this Lease or subject said Lessee to damages therefor; and the period of time during which Lessee is so prevented shall not be counted against Lessee, but this Lease shall be extended for a period of time equal to that during which such Lessee is so prevented from conducting such drilling or reworking operations on, or producing oil, gas or other mineral from, such Leased Premises. All of the provisions of this paragraph are subject to each of the following express conditions:

The terms and conditions of this paragraph shall not extend beyond the expiration date of any law, order, rule or regulation invoked under this paragraph, and shall be applicable and effective only during the following periods:

- (1) If the force majeure shall occur during the primary term of this Lease, it shall not operate to extend this Lease more than two (2) consecutive years beyond the expiration of the primary term.
- (2) If the force majeure shall occur during a ninety (90) day drilling or reworking period provided for in Paragraphs 5 and 6 hereof, after the primary term has expired, then it shall not operate to extend the Lease more than two (2) successive years beyond the expiration of such ninety (90) day periods.

C. None of the provisions of this paragraph shall ever be or become effective and applicable unless Lessee shall, within a reasonable time (not to exceed sixty (60) days in any event) after occurrence of the claimed event of force majeure above referred to, notify the Lessor, in writing, of such occurrence with full particulars thereof.

D. The terms of this Paragraph do not apply to monetary payments due under the terms of this lease.

9. SHUT-IN GAS WELL PROVISIONS

If at any time while there is a gas well on the Leased Premises or land pooled therewith which is capable of producing gas in paying quantities, but the production thereof is shut-in or suspended for any reason, and if this lease is not then continued in force by some other provision hereof, then this Lease shall nevertheless continue in force as to such well and the pooled unit or proration unit allocated to it for a period of ninety (90) days from the date such well is shut-in. Before the expiration of any such ninety (90) day period, Lessee or any Assignee hereunder may pay or tender to the Lessor an advance annual royalty equal to Five Thousand Dollars (\$5,000.00) per shut-in gas well and if such payment or tender is timely made, this Lease shall continue in force but only as to said well or wells and the proration unit or the pooled unit allocated to it or them and it shall be considered that gas is being produced from said well or wells in paying quantities for one (1) year from the date such well or wells are shut-in, and in like manner one, and only one, subsequent advance annual royalty payment may be made or tendered and it will be considered that gas is being produced from said well or wells in paying quantities for such additional one (1) year period as well.

Lessee shall not be entitled to recover any shut-in royalty payments from the future sale of gas. Should such shut-in royalty payments not be made in a timely manner as provided in this section, it will be considered for all purposes that there is no production and no excuse for delayed production of gas from any such well or wells, and unless there is then in effect other preservation provisions of this lease, this lease shall terminate. Lessee shall pay or tender directly to the Lessor at the address as shown in Paragraph 19 all shut-in royalty payments as required by this lease.

10. ROYALTIES

Lessee shall pay to Lessor the following royalties, which shall be free of all costs of any kind, including, but not limited to, costs of gathering, production, transportation, treating, compression, dehydration, processing, marketing, trucking or other expense, directly or indirectly incurred by Lessee, whether as a direct charge or a reduced price or otherwise. In this regard, Lessee agrees to bear one hundred percent (100%) of all costs and expenses incurred in rendering hydrocarbons produced on or from the Leased Premises marketable and delivering the same into the purchaser's pipeline for immediate transportation to an end user or storage facility. Additionally, said royalties shall never bear, either directly or indirectly, under any circumstances, the costs or expenses (including depreciation) to construct, repair, renovate or operate any pipeline, plant, or other facilities or equipment used in connection with the treating, separation, extraction, gathering, processing, refining, transporting, manufacturing or marketing of hydrocarbons produced from the Leased Premises or lands pooled therewith. It is the intent of the parties that the provisions of this Paragraph 10 are to be fully effective and enforceable and are not to be construed as "surplusage" under the principals set forth in *Heritage Resources v. NationsBank*, 939 S.W.2d 118 (Tex. 1997).

A. On oil, gas (including flared gas) and casinghead gas, together with any other liquid or gaseous hydrocarbons recovered by lease operations such as drips or separators, twenty-five percent (25%) of the proceeds of the sale or of the market value thereof, whichever is higher. Such oil, gas and casinghead gas, together with any other liquid or gaseous hydrocarbons recovered by lease operations, is to be delivered free of cost at the well or to the credit of the Lessor into pipelines, gathering lines, barges or other facilities to which the wells and tanks on the property may be connected; or to be delivered in kind at the well or into tanks, gathering lines, barges or other shipping facilities provided by Lessor at Lessor's option and expense, such option to be exercised by Lessor from time to time, but for periods of not less than six (6) months at a time after ninety (90) days written notice to Lessee of Lessor's intention to take in kind such oil, gas or other hydrocarbons.

B. On products, twenty-five percent (25%) of the gross market value or proceeds of sale thereof, whichever is higher.

C. On residue gas or gas remaining after separation, extraction or processing operations, twenty-five percent (25%) of the proceeds of sale or of the market value thereof, whichever is higher.

D. For purposes of this Paragraph 10, the term "market value" shall mean for gas and products therefrom (i) the gross price at which gas or products therefrom are sold pursuant to a Gas Contract, as defined below, or (ii) if not sold pursuant to a Gas Contract, as defined below, the highest gross price reasonably obtainable for the quantity of gas or products available for sale, through good faith negotiations for gas or products produced from the Leased Premises at the place where such gas or product is available for sale on the date of such a contract with adequate provisions for redetermination of price at intervals of no less frequency than one (1) year to ensure that the production is being sold for no less than the current market price. Included within the definition of "Market Value" as used herein is the presumption that Gas Contracts are arms-length contracts with purchasers who are not subsidiaries or affiliates of Lessee. An "affiliate" includes, but is not limited to, the parent company or a subsidiary of Lessee, a corporation or other entity having common ownership with Lessee, a partner or joint venturer of Lessee with respect to the ownership or operation of the processing plant, a corporation or other entity in which Lessee owns a ten percent or greater interest, or any individual, corporation or other entity that owns a ten percent or greater interest in Lessee. In no event shall "market value" ever be less than the amount actually received by the Lessee for the sale of hydrocarbons.

E. All royalties hereinabove provided shall be payable in cash (unless Lessor elects to take such royalty oil or gas in kind) to Lessor within one hundred twenty (120) days following the first commercial sale of production and thereafter no more than sixty (60) days after the end of the month following the month during which production takes place. Subject to the provisions of Paragraph 9 of this Lease concerning shut-in wells, royalties shall be paid to Lessor by Lessee and/or its assigns or by the product purchaser for oil and/or gas. Upon the failure of any party to pay Lessor the royalty as provided in this paragraph, Lessor may, at Lessor's option, elect to terminate this Lease by sending written notice to Lessee. Lessee shall then have thirty (30) days from the date of service of such written notice in which to avoid termination of this Lease by making or causing to be made the proper royalty payment or payments that should have been paid. If such royalty payment is not made on or before the expiration of the 30-day period, or written approval is not obtained from Lessor to defer such payment, Lessor may elect to terminate this Lease by filing a Notice of Termination with the County Clerk in the county where the Leased Premises are located. The effective date of said termination shall be the date said Notice of Termination is filed with the said County Clerk.

F. Lessee agrees that it will not enter into any contract for the sale, delivery, transporting or processing of gas produced from the Leased Premises which does not have adequate provisions to ensure that production from this Lease is not being sold for less than the then current market value. Lessor shall have the right but not the obligation to take its share of gas in kind. In the event Lessor elects to take and separately dispose of its royalty share of gas, the parties shall enter into a mutually acceptable balancing agreement providing for (a) the right of an underproduced party to make up an imbalance by taking up to 150 percent of its share of production and (b) obligation to settle any imbalance remaining after depletion in cash, based on the proceeds received by the overproduced party when the imbalance was created, or if the overproduced party's gas was used but not sold, based on the market value of the gas when imbalance was created.

G. In the event Lessee enters into a gas purchase contract which contains what is commonly referred to as a "take or pay provision" (such provision meaning that the gas purchaser agrees to take delivery of a specified minimum volume or quantity of gas over a specified term at a specified price or to make minimum periodic payments to the producer for gas not taken by the purchaser) and the purchaser under such gas purchase contract makes payment to Lessee by virtue of such purchaser's failure to take delivery of such minimum volume or quantity of gas, then Lessor shall be entitled to twenty-five percent (25%) of all such sums paid to Lessee or producer under the "pay" provisions of such gas purchase contract. Such royalty payments shall be due and owing to Lessor within sixty (60) days after the receipt of such payments by Lessee. If the gas purchaser "makes up" such gas within the period called for in the gas contract and Lessee is required to give such purchaser a credit for gas previously paid for but not taken, then Lessor shall not be entitled to royalty on such "make up" gas. If Lessee is not producing any quantities of gas from the Leased Premises but is receiving payments under the "pay" portion of such "take or pay" gas purchase contract provision, such payments shall not relieve Lessee of the duty to make shut-in royalty payments if Lessee desires to continue this Lease, but such "take or pay" royalty payments shall be applied as a credit against any shut-in royalty obligation of the Lessee. Further, Lessor shall be entitled to twenty-five percent (25%) of the value of any benefits obtained by or granted to Lessee from any gas purchaser and/or transporter for the amendment, modification, extension, alteration, consolidation, transfer, cancellation or settlement of any gas purchase contract and/or transportation agreement.

H. Lessee agrees that before any gas produced from the Leased Premises is used or sold off the Leased Premises, it will be run, free of cost to Lessor, through an adequate oil and gas separator of a conventional type or equipment at least as efficient, to the end that all liquid hydrocarbons recoverable from the gas by such means will be recovered on the lease and Lessor properly compensated therefor.

I. Any payment of royalty or shut-in gas royalty hereunder paid to Lessor in excess of the amount actually due to the Lessor shall nevertheless become the property of the Lessor if Lessee does not make written request to Lessor for reimbursement within one (1) year from the date that Lessor received the erroneous payment, it being agreed and expressly understood between the parties hereto that Lessor is not the collecting agent for any other royalty owner under the lands covered hereby, and a determination of the name, interest ownership and whereabouts of any person entitled to any payment whatsoever under the terms hereof shall be the sole responsibility of Lessee. It is further expressly agreed and understood that: (i) this provision shall in no way diminish the obligation of Lessee to make full and punctual payments of all amounts due to Lessor or to any other person under the terms and provisions of this Lease, and (ii) any overpayments made to the Lessor under any provisions of this Lease shall not be entitled to be offset against future amounts payable to parties hereunder.

J. The terms of this Lease may not be amended by any division order and the signing of a division order by any mineral owner may not be made a prerequisite to payment of royalty hereunder.

K. Oil, gas or products may not be sold to a subsidiary or affiliate of Lessee as defined herein without the Lessor's prior written permission.

L. Should gas be sold under a sales contract not binding on Lessee, Lessor's royalty will be calculated based on the highest price paid for any of the gas produced from the well from which such gas is produced.

11. INFORMATION, ACCESS AND REPORTS

A. Lessor shall have free access at all times to all wells, tanks, and other equipment on the Leased Premises, including drilling wells, and Lessee agrees to furnish Lessor, or Lessor's nominee, currently and promptly, upon written request, with full well information including cores, cuttings, samples, logs (including Schlumberger and other electrical logs), copies and results of deviation tests and directional surveys, and the results of all drill stem tests and other tests of other kind or character that may be made of wells on the Leased Premises. Lessor or Lessor's nominee shall be furnished with and have free access at all times to Lessee's books and records relative to the production and sale of oil, gas or other minerals from the Leased Premises, including reports of every kind and character to governmental authorities, State or Federal. Lessor shall have the right at its election to employ gaugers or install meters to gauge or measure the production of all minerals produced from the premises, and Lessee agrees to prepare and deliver to Lessor or Lessor's gauger or nominee duplicate run or gauge tickets for all minerals removed from the premises. Lessee shall furnish to Lessor daily drilling reports on each well drilled.

B. Lessee shall permit Lessor, or Lessor's representatives, to review in Lessee's offices a copy of any gas purchase contract, transportation agreement, or any amendment thereto entered into in connection with the Leased Premises. Lessee shall furnish Lessor a copy of the following reports: core record, core analysis, well completion, bottom hole pressure measurement, directional survey records, electrical and induction surveys and logs, gas and oil ratio reports, paleontological reports pertaining to the paleontology of the formations encountered in the drilling of any wells on the Leased Premises, and all other reports which pertain to the drilling, completing or operating of the wells located on the Leased Premises. Such information shall be solely for Lessor's use, and Lessor shall in good faith attempt to keep same confidential for twelve (12) months after receipt.

C. Lessee shall advise Lessor in writing of the location of all wells drilled upon the Leased Premises on or before thirty (30) days prior to commencement of operations, and shall advise Lessor in writing the date of completion and/or abandonment of each well drilled within thirty (30) days after completion or abandonment.

12. SURVEYS, ABSTRACTS, TITLE OPINIONS AND CURATIVE WORK

A. If Lessee shall cause any of the exterior or interior lines of the property covered by this lease to be surveyed, Lessee shall furnish Lessor a copy of such survey. Lessee shall furnish Lessor, within a reasonable time, with a copy of all maps submitted to the Corps of Engineers of the United States Army, Railroad Commission of Texas, or other governmental or official agency or department having jurisdiction, showing the proposed location of all roads, pipelines, canals and drill sites on the Leased Premises.

B. In the event Lessee causes an abstract of title to be prepared covering the property herein leased, or any portion thereof, Lessor shall have access to said abstract at any reasonable time. In the event Lessee shall cause the title to be examined or should obtain a title opinion or title certificate upon the property herein leased, Lessee agrees to furnish Lessor a copy or photostatic copy thereof within a reasonable time of receipt of the same by Lessee with the understanding that neither Lessee nor the attorney or firm of attorneys rendering the opinion or certificate shall be responsible to Lessor for its correctness, the said opinion or certificate being furnished to Lessor simply for its own convenience, information and personal use. Similarly, if any curative material is obtained by Lessee, a copy thereof shall immediately be furnished Lessor under the same conditions of non-liability on the part of the Lessee or the persons who may have obtained or prepared the same.

13. USE OF THE SURFACE AND SUBSURFACE

A. Lessee may not under any circumstances enter upon the surface of the lands described in Exhibit "A". Lessor expressly reserves the right on such lands to explore by any method, drill for, mine, produce, treat and store and transport any and all minerals other than those covered by this Lease, as well as the right to use such lands for the purpose of without limitation, operating raw water transportation pipelines, farming, grazing, trapping, fishing and hunting on such lands, and for the purpose of ingress and egress to and from other tracts of land owned by Lessor in the vicinity.

B. Lessee shall use the highest degree of care and all reasonable safeguards to prevent contamination or pollution of any environmental medium, including soil, surface waters, groundwater, sediments, and surface or subsurface strata, ambient air or any other environmental medium in, on, or under, the Leased Premises, by any waste, pollutant, or contaminant. Lessee shall not bring or permit to remain on the Leased Premises any explosives, toxic materials, or substances regulated as hazardous wastes, hazardous materials, hazardous substances, or toxic substances under any federal, state, or local law or regulation ("Hazardous Materials"), except products commonly used in connection with oil and gas exploration and development operations and stored in the usual manner and quantities. Lessee shall clean up, remove, remedy and repair any soil or ground water contamination and damage caused by the presence or release of any Hazardous Materials in, on, under, or about the Leased Premises resulting from Lessee's operations on the Leased Premises. Additionally, as used in this paragraph, "Remedial Work" is defined as any site investigation or monitoring, any cleanup, containment, remediation, removal, or restoration work performed in response to any federal, state, or local governmental authority, required under any applicable federal, state or local statute, regulation or permit, or required by Lessor. Lessee agrees (a) to remove from the Leased Premises, if and as required by any law, permit or regulation, any Hazardous Materials placed or released thereon by Lessee, or Lessee's successors and assigns, (b) to perform all Remedial Work where the need therefore arises in connection with Lessee's operations or activities on the Leased Premises, and (c) to comply in all respects with all federal, state and local governmental laws and regulations governing operations, Hazardous Materials and Remedial Work on or associated with the Leased Premises. Lessee promises to notify Lessor of any claim or other action by any governmental agency or other third party involving the actual or suspected existence of Hazardous Materials on the Leased Premises, and to provide Lessor with copies of (1) any notice of any release of Hazardous Materials given by Lessee pursuant to any law or regulation, and (2) any report of and response to any such incident. In addition to any other indemnity set forth in this Lease, LESSEE AGREES TO INDEMNIFY, PAY AND PROTECT, DEFEND AND SAVE ALL OF THE INDEMNIFIED PARTIES (AS

HEREINAFTER DEFINED) HARMLESS FROM ALL CLAIMS, LIABILITIES, DAMAGES, FEES AND EXPENSES THAT ARISE EITHER DURING THE TERM OF THIS LEASE OR THEREAFTER, DIRECTLY OR INDIRECTLY FROM THE ACTUAL OR ALLEGED PRESENCE OR RELEASE OF ANY HAZARDOUS MATERIAL IN CONNECTION WITH LESSEE'S USE, MANAGEMENT, OR OPERATIONS ON THE LEASED PREMISES. Indemnification shall include, but is not limited to, costs in connection with any Remedial Work when performed by Lessor or any third party requested by any federal, state or local governmental authority. The obligations and indemnity of Lessee hereunder shall survive the expiration or earlier termination, for any reason, of this Lease.

C. Lessee and all of its employees shall be liable for all reasonable damage to any and all of the property of Lessor, including, but not limited to roads, fences, livestock, growing crops, buildings and ground surfaces, and should such damage occur, Lessee agrees to either repair the same or to pay Lessor the cost and amount of such damage within three months after the occurrence of such damage.

D. Subject to the other provisions of this Lease, Lessee shall have the right under this Lease: (i) to explore the subsurface of the Leased Premises, and (ii) to drill, or otherwise operate under, and produce from, any portions of the subsurface of the lands described in Exhibit "A" as to which this Lease remains in force from wells located on surface locations off of such lands.

14. ASSIGNABILITY BY LESSEE

This lease may be transferred at any time. All transfers (including assignments, sales, subleases, overriding royalty conveyances, or production payment arrangements) must be recorded in the county where the lease is located, and the recorded transfer or a copy certified to by the County Clerk of the county where the transfer is recorded must be delivered to the Lessor within ninety (90) days of the execution date. Every transferee shall succeed to all rights and be subject to all obligations, liabilities, and penalties owed to the Lessor by the original Lessee or any prior transferee of the lease, including any liabilities to the Lessor for unpaid royalties.

15. ASSIGNABILITY BY LESSOR

The rights of Lessor hereunder may be assigned in whole or in part, and the provisions hereof shall extend to Lessor's successors and assigns, but no change or division in the ownership of the land or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee and no such change in ownership shall be binding on Lessee for any purpose until thirty (30) days after Lessee has been furnished with a certified copy of the recorded instrument or instruments or other evidence satisfactory to Lessee of such change of ownership.

16. NO WARRANTY

This lease is given and granted without warranty, express or implied, in law or in equity. Lessor agrees that Lessee, at Lessee's option, may purchase or discharge, in whole or in part, any tax, mortgage or other lien upon the Leased Premises and thereupon be subrogated to the rights of the holder thereof, and may apply royalties accruing hereunder toward satisfying same or reimbursing Lessee. It is also agreed that if Lessor owns an interest in the Leased Premises less than the entire fee simple estate, the royalties to be paid Lessor shall be reduced proportionately. But in no event shall the shut-in royalty amount for a gas well (\$5,000.00), as provided for in Paragraph 9 hereof, be reduced when and if paid to Lessor.

17. INDEMNITY

Lessee agrees to hold Lessor harmless from all claims for damages caused to stock, crops, trapping or grazing lands, fences, buildings or other structures, and from any and all claims for injuries to (including death of) persons or damage to property in connection with the drilling of any of its wells or other operations under this Lease, and to defend at Lessee's expense any suit brought against Lessor on account of such claims, including all claims involving environmental matters, as well as any alleged violation of any state, local or federal rule or regulation, allegedly occasioned by, or allegedly arising out of, or allegedly resulting from Lessee's operations on the Leased Premises, and to pay any judgment against Lessor resulting from any such suit. Lessee further agrees that it will use due care to avoid damage to, or destruction of, stock, crops, land, timber, fences, buildings and other structures belonging to Lessor and will use due care to avoid damage to the value of Lessor's lands as farming, trapping and grazing lands, and that Lessee will compensate Lessor for any damage suffered by Lessor as the result of any such damage and/or destruction.

Lessor agrees to indemnify Lessee and hold it harmless from all claims, damages, losses, judgments and causes of action (and defend at Lessor's expense any suit against Lessee) resulting or arising from Lessor's conduct or operations or negligence, if any, on the Leased Premises.

Lessee assumes full responsibility and liability between the parties hereto for any pollution caused by Lessee's operations and agrees to promptly remedy and clean up any such pollution at Lessee's sole expense and to hold Lessor harmless from all claims for damages caused by such pollution. Lessee agrees to defend at Lessee's expense any such suit brought against Lessor on account of such claims, and to pay any judgment against Lessor resulting from any such suit.

18. TAXES

A. It is recognized by Lessor and Lessee that Lessor is presently exempt under Texas law from the payment of all ad valorem, severance and production taxes. However, should Lessor hereafter become subject to such taxes, then all ad valorem, severance and production taxes, State or Federal, on oil, gas or other minerals, or any other State or Federal taxes which may in the future become effective in lieu thereof, or in addition thereto, shall be borne by Lessor and Lessee in the following proportions: **25%** by Lessor and **75%** by Lessee.

B. Lessee shall bear all ad valorem taxes on all property placed or used by Lessee in or on the Leased Premises.

19. NOTICES

A. All notices, information, letters, surveys, reports, material, and all other documents, required or permitted to be sent to Lessor by Lessee shall be sent by certified United States mail, postage prepaid, return receipt requested, to the following address:

Tarrant Regional Water District,
A Water Control and Improvement District Attention: Ken Brummett
P. O. Box 4508
Fort Worth, Texas 76164-0508

- B. All notices required or permitted to be sent to Lessee by Lessor shall be sent to Lessee by certified United States mail, postage prepaid, return receipt requested, to the following address:
Chesapeake Exploration, L.L.C.
P.O. Box 18496
Oklahoma City, Oklahoma 73118

C. Service of notices, and other documents, hereunder is complete upon deposit of the mailed material in a post office or official depository under the care and custody of the United States Postal Service, in a postpaid, properly addressed and certified wrapper.

D. Any party hereto shall have the right to change the name or address of the person or persons required to receive notices, and other documents, by so notifying the other party in writing.

20. BREACH BY LESSEE

Lessee shall conduct Lessee's operations in strict compliance with all of the terms and provisions of this lease and with all applicable local, state and federal rules and the regulations of any regulatory body having jurisdiction of such operations including, but not limited to, all local, state and federal environmental rules and regulations.

In the event Lessor considers that operations are not, at any time, being conducted in compliance with this Lease, or any implied covenant of this Lease, Lessor shall notify Lessee in writing of the facts relied upon as constituting a breach of any express or implied covenant or obligation of Lessee hereunder and, Lessee, if in default, shall have sixty (60) days after receipt of such notice in which to commence compliance with its obligations hereunder. Failure on the part of Lessee to timely commence efforts to rectify any such breach and to exercise diligence in remedying any such breach shall operate as a forfeiture of this Lease as to the portion thereof affected by such breach; provided that if Lessee, in good faith, disputes any alleged grounds of breach set forth in such notice, Lessee may, within said sixty (60) day period, institute a Declaratory Judgment Action in any District Court in a county where all or part of the said Leased Premises are located questioning whether it has in fact breached any expressed or implied covenant of this Lease, thereby staying any forfeiture during the pendency of such action. However, in the event that Lessor obtains a final judicial ascertainment in any such proceeding that Lessee is in breach of any covenant hereof, express or implied, then it is agreed that Lessor shall be entitled to a decree providing for cancellation or forfeiture of the Lease in the event such breach is not rectified or commenced in good faith to be rectified by Lessee within thirty (30) days from date such decree becomes final.

21. CONFLICT OF INTEREST

Lessee represents that Lessee, its officers and directors, are not officers, directors or employees of Tarrant Regional Water District, a Water Control and Improvement District nor is Lessee (its officers and directors) acting on behalf of any such officer, director or employee of Tarrant Regional Water District, a Water Control and Improvement District.

22. TERMS HERITABLE

All of the terms and provisions of this Lease shall extend to and be binding upon the heirs, executors, administrators, successors and authorized assigns of the parties hereto.

23. CAPTIONS

The captions to the various paragraphs of the Lease are for convenience only, to be used primarily to more readily locate specific provisions. They shall not be considered a part of the Lease, nor shall they be used to interpret any of the lease provisions.

24. COUNTERPARTS

This Lease may be executed in multiple counterparts, each of which shall be deemed an original, with the same effect as if the signature thereto and hereto were upon the same instrument.

EXECUTED and effective as of the date of the notarial acknowledgment of the Lessor's execution hereof.

**TARRANT REGIONAL WATER DISTRICT,
a WATER CONTROL AND IMPROVEMENT DISTRICT**

By: 
Ken Brummett
Staff Attorney

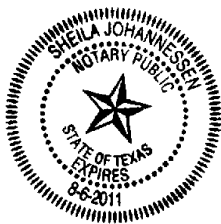
Chesapeake Exploration, L.L.C.
An Oklahoma limited liability company

By: 
Henry J. Hood, Sr. Vice President-Land and Legal
and General Counsel 

STATE OF TEXAS

COUNTY OF TARRANT

This instrument was acknowledged before me on the 16th day of SEPTEMBER, 2009, by Ken Brummett, known to me to be the Staff Attorney of the TARRANT REGIONAL WATER DISTRICT, a WATER CONTROL and IMPROVEMENT DISTRICT, as an act of said entity.



Sheila Johannessen
Notary Public for the State of Texas

Sheila Johannessen
Printed Name of Notary
My Commission Expires August 6, 2011

THE STATE OF Oklahoma

COUNTY OF Oklahoma

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§

This instrument was acknowledged before me on the 14th day of October, 2009, by Henry J. Hood, Executive Sr. Vice President—Land and Legal and General Counsel of Chesapeake Exploration, L.L.C., an Oklahoma limited liability company, as the act and deed of such limited liability company on behalf of said limited liability company.



Notary Public, State of oklahoma

Jason R. Lowrey
(printed name)

(Stamp: Printed Name of Notary
and Date Commission Expires)

EXHIBIT "A"

**(Attached to Oil, Gas and Mineral Lease from the Tarrant Regional Water District a
Water Control and Improvement District to Chesapeake Exploration, L.L.C.)**

Edgecliff C Unit Area

1.25 acres, more or less, described as follows:

Tract #1: .85 acres, more or less, being Lot 16, Block 10 out of the Edgecliff Addition, an addition in Edgecliff Village, Tarrant County, Texas, according to the Plat recorded in Book 388-Z, Page 132, Plat Records, Tarrant County, Texas. (32 Cliffside Dr.)

Tract #2: .40 acres, more or less, being Lot 21-B, Block 10 out of the Edgecliff Addition, an addition in Edgecliff Village, Tarrant County, Texas, according to the Plat recorded in Book 388-211, Page 44, Plat Records, Tarrant County, Texas. (1316 Winn Pl.)

Record & Return to:
Chesapeake Exploration, Inc.
P.O. Box 18496
Oklahoma City, OK 73154